

**BILL #** SB 1032

**TITLE:** property tax exemption; widows

**SPONSOR:** Jarrett

**STATUS:** As Introduced

**REQUESTED BY:** Senate

**PREPARED BY:** Hans Olofsson

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**FISCAL YEAR**

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**2003**

**2004**

**2005**

**EXPENDITURES/ REVENUES**

General Fund – ADE Basic State Aid	\$-0-	Cost cannot be determined
General Fund – Property Tax	\$-0-	Cost cannot be determined

**FISCAL ANALYSIS**

**Description**

Under current law, the property of a widow, widower, or disabled person who is also an Arizona resident is exempt from taxation in the amount of \$3,000 if that person's total assessed valuation is less than or equal to \$10,000. (Under Arizona law, the assessed value of an owner-occupied home is 10% of its full cash value. For example, a home with a full cash value of \$100,000 has an assessed value of \$10,000.) This bill would raise the assessed valuation limit to qualify for this exemption to \$20,000. The income requirements to qualify for the exemption would remain unchanged under this legislation.

**Estimated Impact**

This bill will have a cost that cannot be determined due to data constraints. By permitting additional property tax exemptions, the statewide net assessed valuation (NAV) will decrease. This NAV reduction increases state expenditures and reduces revenues. Under the K-12 funding formula for the Arizona Department of Education's Basic State Aid, whenever the local tax base decreases, the state share of school funding may increase. To the extent that exemptions would increase in unorganized districts and school districts that pay the minimum qualifying tax (MQTR), property tax revenues deposited in the state General Fund may also decrease.

Under SB 1032, the income requirements for widows, widowers, and disabled persons would remain at their current level, which is not to exceed \$13,200 per year for claimants without dependent children and \$18,840 with dependent children. The JLBC Staff does not have sufficient data to determine the number of additional persons that would receive an exemption under SB 1032. As a result, the bill's cost cannot be determined.

**Analysis**

For the purpose of preparing this analysis, the JLBC Staff contacted 4 of the state's 15 counties: Maricopa, Pima, Pinal, and Yavapai. The Yavapai County Assessor believes that SB 1032 could affect their county as they have a number of historic homes inhabited by individuals with limited means who previously qualified for the \$3,000 exemption but no longer do because of sharply rising land values. The Yavapai County Assessor speculated that not more than 15 additional properties would qualify under this legislation. The other 3 counties were unable to provide a similar estimate.

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**Analysis (Continued)**

The statewide number of properties currently granted the \$3,000 exemption is unknown. The Maricopa County Assessor's Office reported that it granted 7,600 exemptions for widows, widowers, and disabled persons last year. The corresponding figures for Pima, Pinal, and Yavapai counties were 7,000, 1,600 and 450, respectively. However, as mentioned earlier, it is not known how many additional properties in the state would qualify for the exemption under the \$20,000 assessed valuation limit. To estimate this number, we would need to know the number of widows, widowers, and disabled persons in Arizona with a home assessed between \$10,000 and \$20,000 and with an annual income less than \$13,200 (or \$18,840 if dependent children reside with the claimant). However, since no such data exists, the JLBC Staff was unable to estimate the fiscal impact of SB 1032.

**Local Government Impact**

Cannot be determined.

2/19/02